

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
DURHAM DIVISION**

IN RE:	§	CASE NO. 14-81184
	§	
UNIVERSITY DIRECTORIES, LLC, et al	§	(Consolidated for Purposes of
	§	Administration)
DEBTORS.	§	CHAPTER 11

**MOTION TO CONVERT CASES OF VILCOM, LLC, VILCOM
PROPERTIES, LLC AND VILCOM REAL ESTATE DEVELOPMENT
TO CHAPTER 7 OR ALTERNATIVELY TO DISMISS**

COMES NOW, creditor UDX, LLC (“UDX” or “Movant”) and files this motion to dismiss or convert to chapter 7 (the “Motion”) the bankruptcy cases of VILCOM, LLC (“Vilcom”), VILCOM PROPERTIES, LLC (“VP”), and VILCOM REAL ESTATE DEVELOPMENT, (“VRD” and together with Vilcom, and VP, the “Debtors”). In support of the Motion, UDX respectfully states as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicate and rules governing the relief sought herein are 11 U.S.C. §§ 105, and 1112 and Federal Rules of Bankruptcy Procedure 1017 and 9014.

BACKGROUND

2. On October 24, 2014 (the “Petition Date”), the Debtors commenced their cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

3. Harrington Bank, FSB (“Bank”) is a North Carolina bank which was acquired through merger by Bank of North Carolina in 2014. Debtors entered into a series of loan

agreements, security agreements and promissory notes with Harrington Bank, FSB prior to the merger (the “Loan Agreements”). The indebtedness called for in the Loan Agreements is secured by the granting of liens and security interests in certain property of the Debtors (the “Collateral”). The Collateral is fully described in the Loan Agreements, but generally, the Debtors granted security interests/liens in all of Debtors’ business assets, including cash and cash equivalents, and the assets of certain affiliates who are not named Debtors, as well as certain pieces of real property.

4. On October 10, 2014, UDX purchased from Bank of North Carolina (“BONC”), BONC’s position in certain of the Loan Agreements with the Debtors. Also on October 10, 2014, Southland National Insurance Corporation (“SNIC”) purchased from BONC, BONC’s position in the VRD Loan Agreements. On October 21, 2014, UDX purchased from SNIC, SNIC’s position in the VRD Loan Agreements. UDX is now the owner and holder of all of the Loan Agreements.

5. Prior to the Petition Date, Debtors committed multiple defaults and breaches of the Loan Agreements. Also prior to the Petition Date, UDX filed suit against Debtors, and James Heavner in the Superior Court of Durham County, North Carolina to recover damages and equitable relief for common law breach of contract, injunctive relief, claim and delivery, attachment and receivership.

6. Cause exists to dismiss the cases of VP, VRD, and Vilcom, or convert them to cases under chapter 7, because of the continuing loss and diminution of each of their estates and the absence of a reasonable likelihood of rehabilitation.

RELIEF REQUESTED

7. Movant requests that the Court convert the cases of VP, VRD, and Vilcom to chapter 7 proceedings, or dismiss these cases, whichever is in the best interests of the creditors and the estates.

8. Neither VP nor VRD have ever been operating entities. Neither VP nor VRD generate any revenue. VP's only asset is its equity ownership of VRD. VRD is nothing other than a holding company set up to hold ownership of James Heavner's personal homes. VRD has filed a motion to sell these homes, and thus has no intent of reorganizing. Neither VP nor VRD has any ongoing business operations.

9. Vilcom appears to be a management company that has no operations other than back office services to the other Debtors. There is no management contract between Vilcom and any other Debtors. Vilcom has no revenue. Vilcom has no means of paying any of its operating expenses, much less the expenses of a chapter 11 case.

10. Section 1112(b)(1) of the Bankruptcy Code provides:

Except as provided in paragraph (2) and subsection (c), on request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause unless the court determines that the appointment under section 1104(a) of a trustee or an examiner is in the best interests of creditors and the estate.

11 U.S.C. § 1112(b)(1).

11. Section 1112(b)(4) of the Bankruptcy Code provides:

For purposes of this subsection, the term "cause" includes - substantial or continuing loss to or diminution of the estate and absence of a reasonable likelihood of rehabilitation;

11 U.S.C. § 1112(b)(4).

12. Because they (i) lack business operations of any kind, (ii) have no unencumbered assets, and (iii) have no means of generating revenue, there is no reasonable likelihood that any of VP, VRD, or Vilcom will be able to confirm a plan under chapter 11. There is no reason to subject their creditors or estates to the time and expense of chapter 11 proceedings. Dismissal or conversion to chapter 7 provides a more efficient procedure.

WHEREFORE, PREMESIS CONSIDERED, Movant prays that this Court (i) grant the Motion; (ii) convert the cases of VP, VRD, and Vilcom to chapter 7 proceedings or dismiss the cases, whichever is in the best interests of creditors and the estates; and (iii) grant Movant such other and further relief to which it may be entitled.

Dated: December 8, 2014
Durham, North Carolina

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the clerk of Court using the CM/ECF system which will send electronic notification of such filing to the following, and all other parties who have filed a notice of appearance:

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Signed this the 8th day of December 2014.

/s/ J. Seth Moore
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